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May 3, 2018

VIA E FILING
Jocelyn D. Boyd, Esquire
Chief Clerk and Administrator
South Carolina Public Service Commission
101 Executive Center Drive
Columbia, SC 29210

RE: South Carolina Electric & Gas Company's Integrated Resource Plan (IRP)
Docket No. 2018-9-E

Dear Ms. Boyd:

Enclosed please find for filing the Comments of Southeast Powergen, LLC in connection with the above-referenced matter.

By copy of this letter I am serving all parties of record.

If you have any questions, or if I may provide you with any additional information, please do not hesitate to contact me.

Sincerely,

Elliott & Elliott, P.A.

Scott Elliott

Scott Elliott

SE/mlw
Enclosures
cc: All parties of record (w/encl.)

STATE OF SOUTH CAROLINA
BEFORE THE PUBLIC SERVICE COMMISSION
DOCKET NO. 2018-9-E

In the Matter of:	)	
	)	COMMENTS OF
South Carolina Electric & Gas	)	SOUTHEAST POWERGEN, LLC
Company's Integrated Resource	)	
Plan (IRP)	)	

Southeast PowerGen, LLC, ("SEPG"), through counsel, hereby respectfully submits comments on South Carolina Electric & Gas Company's ("SCE&G") Integrated Resource Plan (IRP) under review in the above referenced docket. Through these comments, SEPG identifies certain portions of the IRP that do not meet Commission requirements, and proposes that the Commission require SCE&G to submit a revised IRP that remedies these defects. In addition, SEPG requests that in this, or in any subsequent relevant proceedings, the Commission include in its orders a specific requirement that SCE&G meet the energy needs of its customers arising over the next fifteen years through specific and clear procurement guidelines that encourage competitive supply.

SEPG, through its wholly owned subsidiaries, is the owner of multiple power generation facilities located in Georgia aggregating over 2,800 MW of generation capacity. Consistent with independent power producers' industry practice in the region, the power from SEPG's generation fleet is sold at wholesale in the Southeast electricity market. The Southeast electricity market includes all or parts of Florida, Georgia, Alabama, Mississippi, North Carolina, South Carolina, Missouri and Tennessee. Utilities in the Southeast source electric power from their utility-owned facilities or bilaterally from third party marketers and generators like SEPG. SEPG is not challenging the bilateral nature of the market or proposing structural regulatory changes.

However, we strongly maintain that competitive procurement of resources results in procurement costs that more accurately reflect the underlying costs of electrical production including environmental externalities, encourages fuel and resource diversity, and will better protect South Carolina consumers from paying above-market costs while maintaining system reliability.

The IRP sets forth that SCE&G has met a portion of its nearer term supply needs through the acquisition of the Columbia Energy Center.[1] SEPG is not judging at this point the efficacy of the near-term addition of the Columbia Energy Center in the supply regime. However, the IRP also forecasts that by the winter of 2023 the system will be short of capacity by 200 MW and proposes that a second combined cycle be added.[2] In SCE&G's forecast of summer and winter loads and resources, attached to the IRP at p. 42, a total of 540 MW of generation is projected to be added, presumably from that second combined cycle plant. With respect to the second combined cycle facility, the IRP does not appear to meet certain requirements imposed by the Commission in its Order No. 1998-502 (the "1998 Order"). As detailed more fully below, the 1998 Order requires that the IRP offer a brief description and summary of cost-benefit analysis of a contemplated new facility or alternative supply side options for meeting that future need. However, this IRP lacks the required disclosure, stating only cursorily that a second plant will be added in 2023. The acquisition or development of a second combined cycle plant in 2023 may be a reasonable plan, but it is difficult to reach that conclusion without a description of the new facility and alternative supply options, and some explanation of the rationale for relying on it rather than the other options to supply the identified future need.

[1] 2018 Integrated Resource Plan of South Carolina Electric & Gas Company, at 41-42
[2] Id. At 40

Similar issues exist with respect to proposals in the IRP that SCE&G will continue to meet its customers' needs over the next 15 years with its existing fleet without material retirements. The IRP currently contemplates aggregate SCE&G resource retirements of only 110 MW over the next 15 years,[3] thereby proposing to meet SCE&G customers' needs over this period utilizing, in general, its existing fleet of resources plus the new resources outlined in the IRP. The IRP fails to set out either a basis or a summary of cost benefit analysis for its assumption of limited retirements, or a summary of alternative supply options that may be available over that period in place of existing resources to meet ratepayer demand, as required by the 1998 Order. As with the new facility proposed by SCE&G, SCE&G's proposal of projected limited retirements may very well be reasonable, but it is difficult to reach that conclusion without additional required information.

SEPG believes that the interests of SCE&G's customers will be best served if any supply needs (whether arising as a result of load growth, fleet retirements or changing mix of resources that creates a particularized need for new resources meeting certain characteristics), are met through the conduct of an open and competitive solicitation for alternate supply proposals. Absent such a process, the consumers of South Carolina may only be afforded a retrospective view of the selected resources when they are justified in a rate case or permit approval process. SEPG believes that the failure to conduct an open and competitive solicitation for alternate supply proposals results in a lost opportunity for the consumers to reap the benefits of a process through which alternative suppliers compete to best meet an established list of criteria at the lowest cost.

[3] Id. at 42

The procurement process should select winning offers based on appropriate evaluation of all relevant price and non-price factors. For example, in addition to direct ratepayer cost benefits, one distinct benefit of considering a broader range of resources to meet the needs proposed to be met by a new combined cycle facility in 2023, or by continuing to rely on existing in-state resources, would avoid ratepayers' financing of new pipeline capacity with higher upfront capital expenditures, future operating expenses and/or fuel price adders than would be required by an existing in-state resource. The opportunity to procure electricity from a facility that is fully deliverable into the SCE&G service territory but does not require the funding of a new or expanded pipeline, reduces rates and provides further value to the broader South Carolina economy.

SEPG suggests that a resource such as SEPG's baseload Effingham Facility represents a geographically diversifying alternative resource that is highly efficient and cost competitive, fully deliverable into SCE&G's territory and, due to its pipeline supply options, mitigates in-state gas demand concerns created by in-state resources. Effingham is a 511 MW combined cycle gas-fired generation facility located in Rincon, Georgia – within 10 miles from the South Carolina border – which was placed in service in 2003. Effingham is currently electrically interconnected to both Georgia Power's Blandford Road Substation (230 kW) and the Georgia Transmission Corporation's McCall Road Substation (500 kV). Both interconnections are on site and allow the facility to benefit from redundant access to the grid from two on site connections. This is only one example of an efficient existing resource that could serve as a baseline for comparison to SCE&G's proposal to construct a new generating facility and/or its assumption of minimal fleet retirements in an environment of rising costs for fuel, fuel transportation and critical infrastructure inputs such as steel, copper, cement, turbines and other equipment.[4]

SEPG contends that neither the ratepayers nor the Commission can determine if a power purchase agreement from a facility such as Effingham is economically or operationally superior to the IRP proposals and assumptions based upon the information contained therein. Pursuant to the 1998 Order, the Commission requires that an IRP must provide, *inter alia*, that the "*supplier's or producer's program for meeting the requirements shown in its forecast in an economic and reliable manner, including both demand-side and supply-side options,*" a "*brief description and summary of cost-benefit analysis, if available, of each option, which was considered, including those not selected,*" and "*the supplier's and producer's assumptions and conclusions with respect to the effect of the plan on the cost and reliability of energy service, and a description of the external, environmental and economic consequences of the plan to the extent practicable.*"[5] By contrast, the IRP simply states that "*the supply plan will also help SCE&G keep its cost of energy service at a minimum since the generating units being added are competitive with alternatives in the market.*"[6] Accordingly, the IRP fails to meet the basic threshold requirements of the 1998 Order because the IRP fails to provide the required economic justification for, and alternative supply options to, the aspects of its supply plan discussed herein.

Accordingly, SEPG requests that the Commission direct SCE&G to submit a revised 2018 IRP that includes the additional information required by the 1998 Order in respect of its proposals to acquire or construct a new facility in 2023 and to continue meeting customer

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[4] In addition to Effingham, SEPG also currently has 300 MW of available peaking capacity at its gas-fired Sandersville peaking facility located in Warthen, Georgia, which was placed in operation in 2002.
[5] Order No. 98-502 Modifying Reporting Requirements in Docket No. 87-223-E
[6] 2018 Integrated Resource Plan of South Carolina Electric & Gas Company, at 41

demand utilizing its existing fleet with minimal retirements. Furthermore, and irrespective of whether the Commission accepts the IRP in its current or revised form, the Commission should include in its orders in this or any subsequent relevant proceedings a specific requirement that SCE&G prepare a program for meeting any supply requirements that may arise over the coming fifteen-year period in an economic and reliable manner. The utility's program should include a formal open and competitive solicitation process for procurements that provides qualified suppliers with a fair opportunity to participate in a manner conducive to sound fiscal practices. To encourage a more robust competitive response, we recommend the Commission require disclosure and review of how all relevant factors are considered and evaluated by the utility in weighing offers from third parties against self-build and/or self-supply proposals or affiliate offers.

SEPG appreciates the opportunity to comment on the IRP and is available to provide further information or clarification.

Respectfully submitted this 3rd day of May 2018.

Scott Elliott

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CERTIFICATE OF SERVICE

The undersigned employee of Elliott & Elliott, P.A. does hereby certify that (s)he has served below listed parties with a copy of the pleading(s) indicated below by mailing a copy of same to them in the United States mail, by regular mail, with sufficient postage affixed thereto and return address clearly marked on the date indicated below:

RE: South Carolina Electric & Gas Company's Integrated Resource Plan (IRP)

DOCKET NO.: 2018-9-E

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PLEADING: COMMENTS OF SOUTHEAST POWERGEN, LLC

May 3, 2018

Marcia W. Walters

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